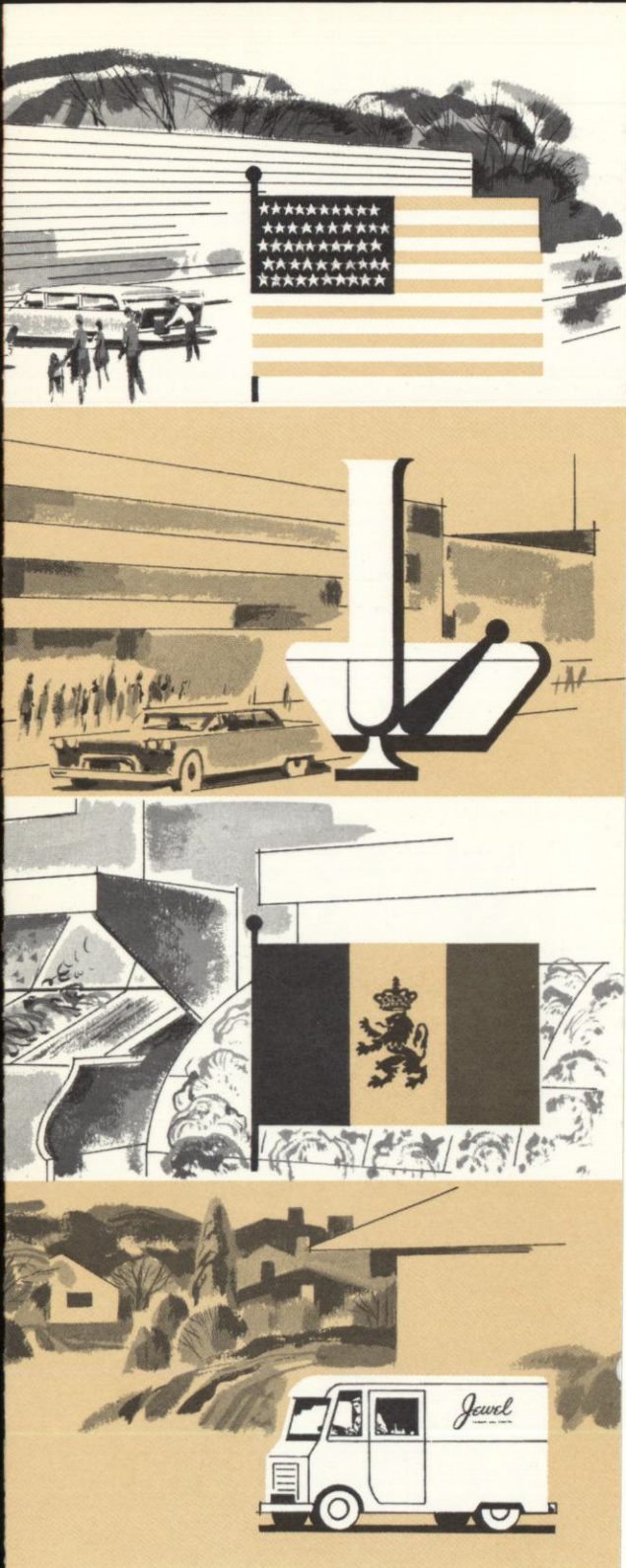




ANNUAL REPORT 1960

JEWEL TEA CO., INC.



RESULTS IN BRIEF

(Combining, for 1960 and 1959, Jewel Tea Co., Inc. and Osco Drug, Inc. acquired in February, 1961. In computing earnings per share, common stock issued in this connection has been considered to be outstanding during all of 1960 and 1959)

	52 WEEKS ENDED DEC. 31, 1960	52 WEEKS ENDED JAN. 2, 1960
Retail sales	\$509,145,026	\$490,978,128
Earnings:		
Before federal income taxes	\$ 20,209,382	\$ 19,379,682
Net for the year	9,692,877	9,380,837
Per cent to sales and revenues	1.9%	1.9%
Earned per share of common stock	\$ 2.80	\$ 2.74
Cash dividends paid per share of common stock	\$ 1.40	\$ 1.20
New property, plant and equipment (net)	\$ 9,191,236	\$ 8,174,516
Depreciation, amortization and retained earnings	\$ 10,756,372	\$ 10,803,130
	<u>Dec. 31, 1960</u>	<u>Jan. 2, 1960</u>
Net working capital	\$ 44,721,918	\$ 42,670,538
Ratio of current assets to current liabilities	2.1 to 1	2.3 to 1
Operating Units:		
Number of Retail Food Stores	285	274
Square feet of floor space	3,278,898	3,097,798
Number of Home Service Routes	1,898	1,879
Number of Retail Drug Stores	30	28
Stockholders	9,013	8,829
Common shares outstanding	3,389,522	3,343,365
Preferred shares outstanding	56,909	57,479
Employees	10,329	10,326

ANNUAL MEETING—The annual meeting of stockholders will be held at 2:00 p.m. on Tuesday, May 9, 1961 at the Biltmore Hotel in New York City.



MANAGEMENT'S REPORT

TO JEWEL STOCKHOLDERS, JEWEL PEOPLE AND OTHER FRIENDS:

February 24, 1961

This report sets forth results for the 52 weeks ended December 31, 1960, our 62nd year of operation. It is gratifying to be able to report these results for a year of developing recession in general business. New records were set in both sales and earnings in 1960, for the eighth consecutive year. Retail sales totaled \$509,145,026, a gain of \$18,166,898 or 3.7% over sales in the previous year. Net earnings rose 3.3% to \$9,692,877. Earnings per share of common stock amounted to \$2.80 compared with \$2.74 for 1959.

All statements and data incorporate retroactively the results of Osco Drug, Inc., which was acquired by Jewel Tea Co., Inc., on February 16, 1961, through the exchange of 260,002 shares of Jewel common stock for all the shares of Osco on a pooling-of-interests basis. Comparisons of results with those of the previous year are set forth on the facing page, a ten-year summary of key operating and financial items appears on pages 2 and 3, and detailed financial statements begin on page 15.

Once again, Jewel has demonstrated the stability of an industry supplying the everyday needs of consumers. Thus our established business offers a solid and steadily growing base on which to build the structure of our business for the future.

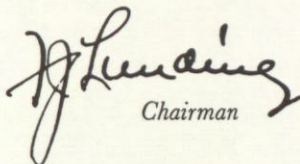
The history of retailing since World War II has been dominated by three main developments: (1) growth of a mass market for upgraded products

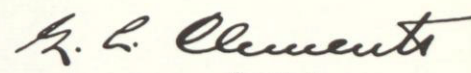
and services as average family income has risen, (2) adaptation of retailing facilities to accommodate shopping by automobile and (3) spread of the low-cost self-service method of operation. All three of these are interrelated, but self-service is especially significant because it makes possible the economical handling of an increasing variety of wide-appearance products which can be offered at low or "discount" prices in convenient locations with ample parking.

We believe the developments described in the balance of this report, particularly with respect to Osco Drug, Inc., and the investment in Supermarchés G. B. in Belgium, place our Company in a position to face the future with confidence that our organization will continue to secure its share of the growth and development that lies ahead in self-service retailing.

We would like at this time to pay tribute to Messrs. Earl A. Miller and Merrill S. Morse, each of whom retired as a Vice President and Director of the Company at the end of 1960. They played important roles in the growth of Jewel Food Stores and we wish them happiness in their well-earned retirement. At a meeting of the Board of Directors on February 24, 1961, Mr. Paul Stratton, President of Osco Drug, Inc., and Mr. Howard R. Rasmussen, Vice President in charge of Retail Food Stores, were elected to fill the vacancies on the Board.

FOR THE BOARD OF DIRECTORS


Chairman


President

CONSOLIDATED TEN YEAR FINANCIAL SUMMARY,
INCLUDING OSCO FOR ALL YEARS

(Total Dollars in Thousands)

	1960	1959
Retail sales	\$509,145	\$490,978
Earnings:		
Before federal income taxes	\$ 20,209	\$ 19,380
Net for the year	9,693	9,381
Earnings per common share §	2.80	2.74
Dividends per common share §	1.40	1.20
Retained earnings#	\$ 4,875	\$ 5,255
Depreciation	5,881	5,549
Capital expenditures (net)	\$ 9,191	\$ 8,175
Net current assets	\$ 44,722	\$ 42,671
Total assets	135,084	117,843
Long term debt	\$ 19,804	\$ 18,214
Preferred stock	5,691	5,748
Common stockholders equity	65,102	59,929
Equity per common share §	19.21	17.92
Number of common shares outstanding §	3,389,522	3,343,365

JEWEL TEA CO., INC.

1958*	1957	1956	1955	1954	1953	1952*	1951
\$470,254	\$436,534	\$404,638	\$364,224	\$327,819	\$288,347	\$265,878	\$245,982
\$ 17,556	\$ 15,344	\$ 13,572	\$ 11,692	\$ 9,870	\$ 7,641	\$ 7,082	\$ 7,457
8,480	7,486	6,730	5,717	5,014	3,767	3,555	3,927
2.51	2.25	2.03	1.74	1.52	1.16	1.18	1.32
1.00	.98	.98	.98	.88	.87	.86	.86
\$ 5,069	\$ 4,235	\$ 3,695	\$ 2,726	\$ 2,058	\$ 1,449	\$ 1,247	\$ 1,607
4,802	4,356	3,626	3,516	3,000	2,430	2,385	2,232
\$ 11,361	\$ 7,567	\$ 9,159	\$ 4,956	\$ 8,966	\$ 4,761	\$ 2,086	\$ 4,010
\$ 36,936	\$ 32,909	\$ 31,639	\$ 31,472	\$ 25,472	\$ 29,372	\$ 26,106	\$ 24,661
111,425	96,898	91,462	80,447	71,730	65,539	56,766	56,221
\$ 18,626	\$ 14,355	\$ 13,953	\$ 13,324	\$ 8,846	\$ 9,138	\$ 9,190	\$ 9,180
5,803	5,832	5,904	6,595	6,745	6,765	6,994	7,049
51,746	45,567	41,269	36,663	33,720	31,131	25,168	23,719
15.74	14.10	12.91	11.64	10.74	10.33	9.00	8.59
3,287,986	3,230,619	3,197,280	3,149,843	3,138,472	3,014,649	2,795,668	2,762,613

*53-week year; other years 52 weeks.

\$ Adjusted for stock splits and stock dividends.

#Net earnings less cash dividends paid.

THE YEAR IN REVIEW

SALES FACTORS

The rise in retail sales to \$509,145,026 in 1960 was accounted for by increases in sales of Jewel Food Stores and Osco Drug Stores. Sales of the Home Service Routes declined moderately and accounted for 14% of Company sales.

Food store sales started the year on a firm note and continued at a high level through the spring, according to our own results and those for the entire country reported by the U.S. Department of Commerce. The third quarter saw a drop which was greater than the usual summer decline, followed by a sharp pickup in the final two months of the year. Retail food prices were relatively firm in 1960, notably in the second half of the year, and this helped to sustain dollar sales. Prospects are that food prices will hold in the first half of 1961, with some decline in meat prices expected in the fall. By that time, it is to be expected that the long-term growth of disposable personal income will be resumed, tending to lift food store sales.



STORE CHANGES—REAL ESTATE

In 1960 we opened 16 modern supermarkets and closed 5, bringing the number in operation to 285 at the close of the year. In addition, 3 stores were enlarged and 41 were given major remodelings, including the installation of modern new fixtures. Two Osco Drug Stores were opened in 1960, bringing the number of such stores to 30. It is now anticipated that approximately 16 new supermarkets will be opened in 1961. Because the acquisition of Osco was so recent we are not in a position at this time to estimate the number of drug stores to be opened this year.

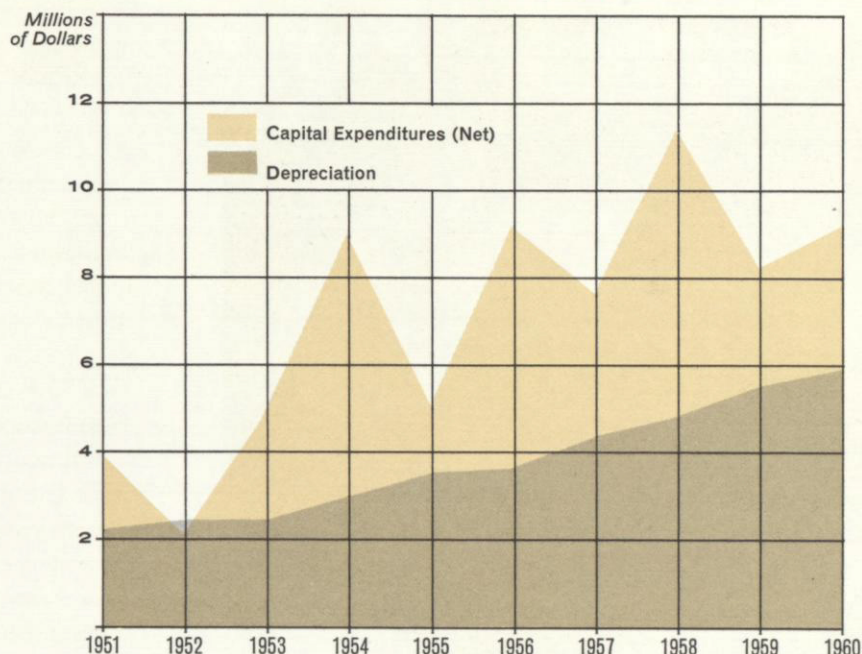
For the past several years Jewel has been developing some of its store locations through the use of real estate corporations. Under this plan, Jewel funds are used to buy the land and to construct the new store and parking facilities. A real estate corporation is then formed and purchases the property at cost. A small equity investment (usually \$10,000) is made in the corporation. Jewel supplies 95% of





This Jewel-developed shopping center, located in Villa Park, Illinois, was opened in the spring of 1960 and has eight tenants including a Jewel Food Store

CAPITAL EXPENDITURES (NET) AND DEPRECIATION



this investment in the form of convertible preferred stock, which is non-voting with respect to directors. The voting common stock, representing 5% of the capitalization, is owned by an affiliated corporation, the common stock of which is owned by Jewel T Foundation. The remaining needed funds are borrowed by the real estate corporation. Jewel executes a net lease at a rental sufficient to repay the amounts borrowed plus interest over the 20-year term of the lease. Since it has been possible to keep Jewel rents, including taxes, insurance and maintenance, at approximately the same level as rents required by others under gross leases, it is believed that long-term values will accrue to our stockholders because of this approach without investing substantial amounts of Jewel funds in real estate.

Separate corporations are formed for each store to add flexibility in arranging financing and in vacating individual stores if this should become desirable. For this reason, all real estate loans contain provisions for prepayment, usually after 5 years. After twenty years, of course, the real estate corporation would own the property free and clear.

Eleven such corporations were formed in 1960 and at the end of the year corporations owning 49 properties were in existence. In addition, the same plan has been used for 3 Home Service Routes distribution centers. In 5 cases, the real estate corporations own facilities for other stores and service shops in addition to the Jewel store. Jewel sub-leases to the other tenants. These projects range from one additional store of 2,560 square feet to five additional stores totaling 17,100 square feet. Additional multiple store developments are now under construction and others are in the planning stages.

Four neighborhood shopping centers ranging from 40,996 square feet to 75,875 square feet of store space have been financed under sale-leaseback arrangements. In each instance Jewel purchased the land, constructed the shopping center, sold the completed project to an insurance company and took a leaseback under which the purchase price will be amortized over a 15-year term. We have 5 options of five years each to renew at reduced rents. On the average it has been possible to sub-lease the other stores in these centers on terms



Rib Roast Supreme, with excess fat and all bones except the flavor-imparting rib bones removed, is one of a variety of fifteen Jewel Chef Cut roasts, steaks and chops trimmed for easier carving and serving

which establish the rent for the Jewel stores at approximately the same level as is currently being required in comparable shopping centers developed by others. As the primary tenant of these centers we have the advantage of selecting tenants handling types of merchandise and services particularly compatible with those in our own stores in addition to providing opportunities for profit from rental income after the rent for the whole center is reduced.

Jewel-operated self-service bakery departments, featuring fresh-frozen pastries, will be added to approximately 65 Jewel stores during 1961

HOME SERVICE ROUTES

The Routes Department at the close of 1960 was serving 5,322 more buyers on 19 more routes than at the start of the year. This direct selling part of Jewel's business is now being done through 1,898 route salesmen who call on over 800,000 customers every two weeks in 38 states and the District of Columbia. Earnings from route operations for 1960 almost equaled 1959 results in spite of a moderate decline in sales.

In November, a new 16,000 square-foot warehouse and office replacing an obsolete unit in St. Louis, Missouri, was opened in Mt. Vernon, Illinois. It will serve 58 routes.

JEWEL'S EXPANDING FOOD BUSINESS

Jewel's long-range emphasis on providing a top-notch food service at low cost continued in 1960. This will continue to be an important factor in Jewel's expanding self-service retail food business as it develops in the future. During the year we added 31 sausage shops in new and existing stores. Sausage Shops in our stores now number 94, offering a variety of sausages and other smoked meats, barbecued chicken and ribs and a selection of other



delicatessen-type items. Cooked foods departments, also known as Jewel Kitchens, offer a wider variety of delicatessen-type items in 17 of our larger stores, including two added in 1960. These increase sales directly and also add to the attraction of our stores by improving the variety of our total food offerings.

The experiment with "Chef Cut" meat products, which was underway in two stores a year ago, was extended last summer to all Chicago-Area meat markets. Chef Cuts are made from our regular line of quality meats, but include additional boning, trimming and other preparation for easy cooking and carving, beyond the already-high standards of our regular Extra Value Trim.

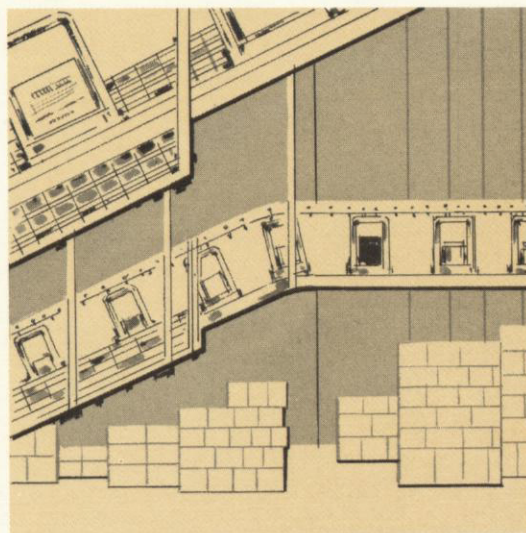
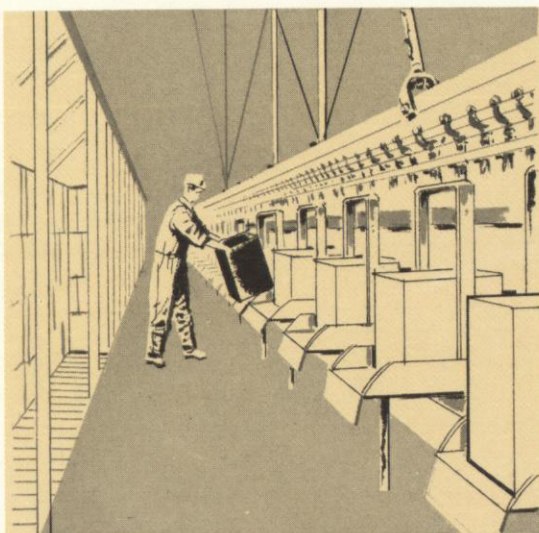
Self-Service bakery departments have proved successful and their introduction will be sharply accelerated in 1961. At the close of 1960, these departments were in 79 stores, including 42 operated by Jewel's Eisner Division from our own bakeries in Champaign and Springfield, Illinois. The remaining units are leased by local bakers. One of the latter, with 23 units now in our Chicago-Area stores, is completing an expansion of its production facilities and is expected to place approximately

30 more self-service bakeries in operation in our stores by mid-July of this year. In addition, we expect approximately 50 Jewel-operated self-service bakery departments to be completed by the same date, with 15 to be added in the second half of the year.

The Jewel-operated bakery departments will be supplied from our new 113,000 square-foot pastry bakery now being completed at a cost of approximately \$3,900,000, and deliveries to an initial group of 11 Jewel stores are scheduled to start on April 6. This new pastry bakery is adjacent to our present Melrose Park 64,000 square-foot highly-automated bakery producing bread, hamburger and frankfurter rolls and doughnuts.

An important feature of these all-Jewel bakeries is fresh-frozen pastries which insure fresher and more satisfactory products at all times for the customer. The freezing of pastry products following baking reduces expenses by keeping waste at a minimum and by avoiding peak production periods to meet peak week-end customer purchases. This is an example of the adaptation of mass-handling self-service techniques to a perishable product with benefit to the consumer.





Views of the electro-mechanical system, completed in mid-1960, for the assembly and distribution of perishable and frozen food merchandise to Jewel Food Stores

TRAYVEYOR

"Trayveyor" is an example of improving efficiency through additional automation in handling perishable dairy products, luncheon meats and frozen foods for our Chicago-Area stores. The Trayveyor is used in the assembly of merchandise from the warehouse stock for delivery to individual stores. Running through the refrigerated storage area is a conveyor with trays attached at regular intervals—hence the name Trayveyor. A man with a store order can select an item from the order and place it on the Trayveyor as it goes by, after identifying the item with a color mark for this particular store order. The Trayveyor then carries the item up overhead past six loading chutes, each of which runs down again directly into a refrigerated trailer with the shipment for a particular store. Each chute is fitted with an electronic device and as the Trayveyor goes by, the item is tripped into the proper chute and slides down into the waiting trailer. This new tool, worked out with a group of cooperating equipment suppliers, eliminates the manual movement of this merchandise.

WAREHOUSE PLANNING

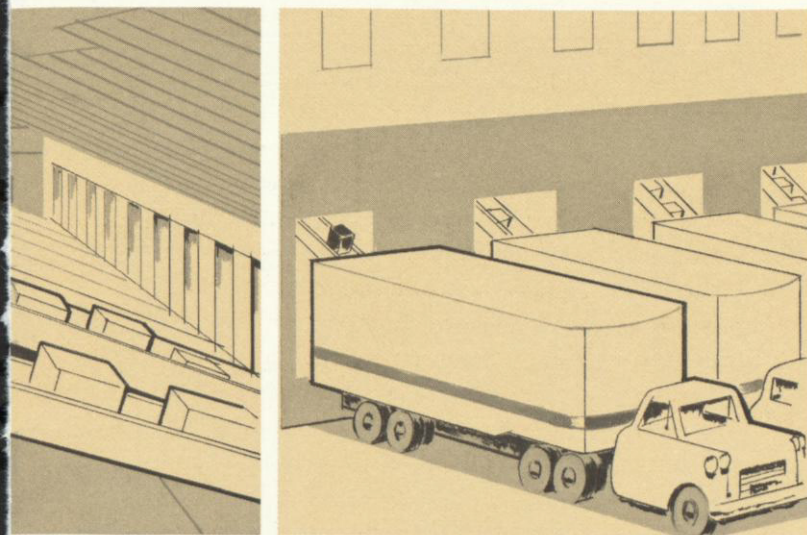
During 1960 we conducted a detailed study of the most economical means for expanding our distribution facilities to handle the growth of our operations. This study of various warehouse location

possibilities demonstrated that centralized warehousing of all commodity groups—dry groceries, perishables, frozen foods and bakery products—would lead to savings in warehouse operating, inventory and clerical costs that far outweigh the transportation cost advantage of multiple warehouses. Accordingly, it will be our long-range goal to centralize all new distribution facilities at the Melrose Park, Illinois site which now houses our dry grocery warehouse and bakery facilities for the Greater Chicago Area.

It is expected that major additions to our warehousing facilities will be needed by 1965. In anticipation of these needs we recently purchased vacant property adjoining our present site and now have 72 acres at this location.

FINANCIAL

We closed the year in a strong financial position after taking down \$5 million at the end of October under the terms of our 1958 bank loan agreement. An initial \$5 million was taken down in 1958. This \$10 million loan is scheduled to be paid off in instalments of \$1 million in 1961, \$1.5 million each in 1962 and 1963, and \$2 million each in the years 1964 through 1966. We do not feel that this will be burdensome in light of our internal cash flow from depreciation and retained earnings, which last year totaled \$10,756,000.



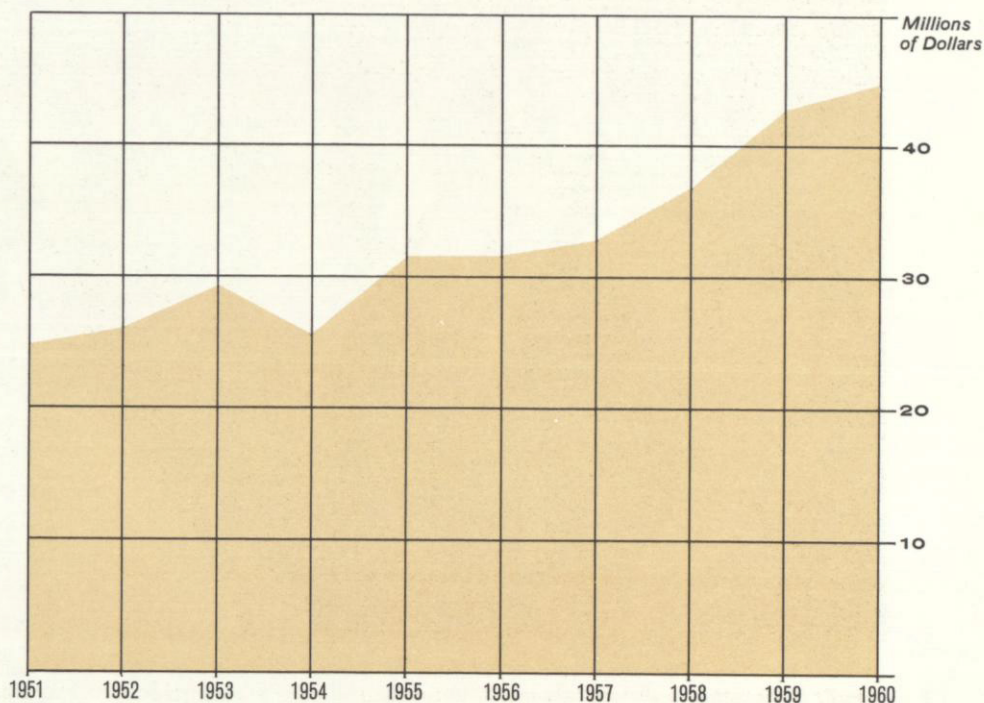
THE JEWEL ORGANIZATION

In our 1959 Annual Report we noted that our store operating organization was being realigned to give more authority and responsibility to field manage-

ment so that they might better meet local competitive conditions and the needs of their respective communities. To pinpoint responsibility to local areas, the number of store operating divisions was increased from 4 to 8, each serving an average of about 35 stores. The Division Manager has assistants for help in merchandising, product handling, scheduling of personnel and cost controls, and he can call on special promotional people for programs best fitted to meet his local competitive situation. We are proud of the way the store operating people have risen to the challenges and opportunities of this decentralized organization. This year's results are due, in part, to the improved handling of individual competitive situations.

To increase the effectiveness of the decentralized field operation, Mr. H. R. Rasmussen was promoted to Vice President of Retail Food Stores, with over-all responsibility for all food store operating and merchandising activities. Under his direction, Mr. J. A. Brewer, Vice President, heads the meat market merchandising and operating activities and Mr. F. A. Woerthwein was elected a Vice President to head up the grocery operating functions.

WORKING CAPITAL



In light of the developments in self-service retailing mentioned in the opening message and discussed later in the section of this report entitled "Growth Through Diversification in Self-Service Retailing," a new office was created, Vice President of Growth Planning and Development. Mr. D. S. Perkins, formerly Merchandise Manager for the Home Service Routes, was elected to carry this responsibility.

A few years ago we started a planned program to develop and attract young people with outstanding management potential. This has included the recruitment of college students for summer work on the Home Service Routes and in the Food Stores. A college scholarship program for high school seniors has been offered to high school students working part time in our stores. In the current college year, the fourth of this program, there are 95 part-time Jewel employees attending college, of whom 18 will constitute our first graduating class this

year. We are also stepping up our recruitment activities for college graduates.

While attracting people with a broad educational background is important, it is recognized that our future management will need to be persons with direct experience in the problems of the business. Accordingly, we can expect that people now working in all areas of the business, irrespective of their educational backgrounds, will rise to management stature, as they have in the past. We are therefore continually searching out and helping to develop promotable people throughout our business. Our people are encouraged to look beyond their immediate jobs through training assignments and programs, and enrollment in college courses. Specially tailored four-year part-time industrial management courses are available to Jewel people at two different local college campuses, as are individual college-level courses in Human Relations and in Written and Oral Communications through a university extension service.



Grocery and Market Manager conferences, held regularly, afford managers the opportunity to learn of pending merchandising and operational plans and to exchange helpful experiences in the operation of their stores

GROWTH THROUGH DIVERSIFICATION IN SELF-SERVICE RETAILING

Retailing today is undergoing a revolution as the self-service method of operation spreads from one line of merchandise to another. Self-service has long been a keystone of grocery merchandising, and in the postwar years this has spread to the meat and, in part, to the fresh fruit and vegetable departments of food supermarkets. In recent years the self-service method also has been adapted to the sale of appliances and other hard goods, to variety and drug stores and, more recently, to discount department stores, sometimes called soft-goods supermarkets. Outlets using self-service methods generally have lower operating costs than traditional service facilities and consequently are able to sell at lower prices. Further, there has been a tendency for self-service merchants in one line of merchandise to take on other lines which can be handled in the same, efficient manner—as the food supermarkets have spread into the handling of non-food lines and the modern self-service drug store has become virtually a general variety store with a prescription department.

As we view the spread of self-service retailing and the tendency of most new retailing facilities to be constructed around centrally-located parking lots and as we see the need for a co-ordinated merchandising and operating effort in such centers, it seems that we must not think of ourselves in the future solely as operators of food stores, or of home service routes, but more broadly as retailers handling diversified merchandise lines of high-turnover, quick-consumption products for which there is a regularly recurring demand.

OSCO DRUG, INC.

The diversification effected by the exchange of 260,002 shares of Jewel common stock for all of the common stock of Osco Drug, Inc. on February 16, 1961, is in keeping with our development as a self-service retailer. Osco will operate as a wholly-owned subsidiary of Jewel.

Osco operates 30 self-service retail drug stores, of which 12 are located in Illinois, 5 in Indiana, 8 in Iowa, 2 in Minnesota, 2 in North Dakota and



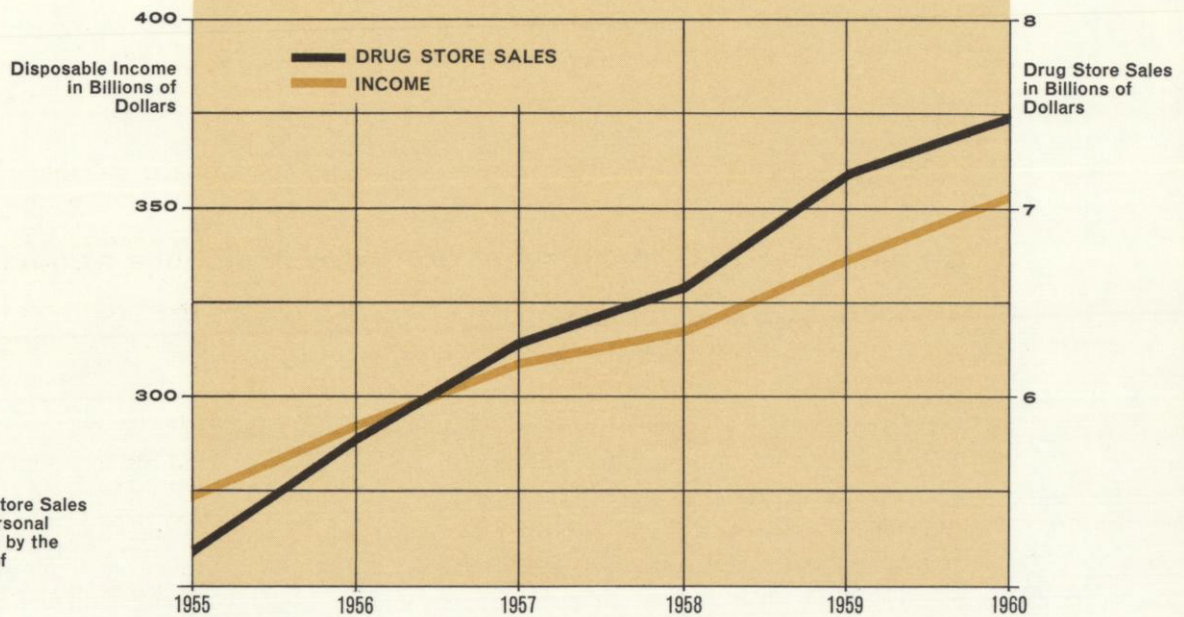
Check-out counters and shopping carts symbolize the modern self-service methods employed in Osco Drug Stores, acquired February 16, 1961



Osco's wide variety of merchandise includes professionally staffed pharmaceutical departments

**DYNAMIC
GROWTH IN
DRUG STORE
SALES***

*U. S. Retail Drug Store Sales
and Disposable Personal
Income as reported by the
U. S. Department of
Commerce



1 in Wisconsin. Each Osco store has a prescription department and carries a broad line of drug and variety merchandise sold on a self-service basis. It is contemplated that Jewel and Osco will work together in the development of new retailing ventures.

SUPERMARCHES G. B.

The self-service method of operation is now accepted beyond the boundaries of the United States. Accordingly, and also as part of our program of growth through diversification in self-service retail-

Modern American-type self-service supermarkets, such as this store located in a Brussels suburb, offer Belgian homemakers a new dimension in food shopping



ing, it was announced on July 6, 1960, that we had joined with Le Grand Bazar d'Anvers, a leading department store company headquartered in Antwerp, Belgium, in the development of a chain of supermarkets. A new Belgian company, Supermarches G. B., also headquartered in Antwerp, was set up to operate the markets. Jewel and Grand Bazar have each subscribed to approximately 36% of the stock in the new company and the balance was sold at a public offering in Belgium last fall. Jewel's subscription is for the equivalent of \$1,857,000, of which \$743,000 has been paid to date, with the balance to be paid as needed by December 31, 1961. Of the twelve-man Board of Directors, six are Jewel executives.

Le Grand Bazar d'Anvers is an established firm in Belgium, with 1960 representing its 75th year of operation, and it has enjoyed a record of successful experience in the department store field. This has included the development of food departments using modern food distribution methods. Legal restrictions had made it impractical to develop supermarkets in Belgium of the type familiar in the

United States, until these restrictions were removed in 1960.

There are 4 supermarkets in operation at present, 2 in the Brussels area and 2 in Antwerp. They have received good acceptance and it is anticipated that approximately 5 additional supermarkets will be opened in 1961. A warehouse for perishables is under construction to serve these markets.

There would appear to be ample room for the growth of Supermarches G.B. Belgium encompasses an area of 11,779 square miles, about the size of the State of Maryland. It has a population of 9 million people, with food sales of approximately \$2 billion, not far below those for Metropolitan Chicago. The record of the Supermarches stores opened thus far confirms the acceptance of the self-service principle in this area.

Jewel is serving as a training base for the development of management by sending Jewel people to Belgium to provide technical assistance and by training Supermarches G. B. employees sent to us. Thus we are building a management for future growth.

Supermarches G.B. employees from Belgium being briefed by F. A. Woerthwein, Vice President, at the start of an intensive six-week training program in Jewel Food Stores



ACCOUNTANTS REPORT

TOUCHE, ROSS, BAILEY & SMART
CERTIFIED PUBLIC ACCOUNTANTS

208 SOUTH LA SALLE STREET
CHICAGO 4, ILL.

February 20, 1961

The Board of Directors
JEWEL TEA CO., INC.:

We have examined the accompanying consolidated balance sheet of Jewel Tea Co., Inc., as of December 31, 1960, and the related consolidated statements of income and accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of Osco Drug, Inc. have been included in the consolidated financial statements as reported on by other independent accountants.

In our opinion, which as to Osco Drug, Inc. is based on the report of other independent accountants, the financial statements referred to above present fairly the consolidated financial position of Jewel Tea Co., Inc., and wholly-owned subsidiaries at December 31, 1960, and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart

Certified Public Accountants

JEWEL TEA CO., INC.

CONSOLIDATED INCOME ACCOUNT

AND ACCUMULATED EARNINGS—UNAPPROPRIATED

(Includes Osco Drug, Inc. in both years)

	52 WEEKS ENDED DEC. 31, 1960	52 WEEKS ENDED JAN. 2, 1960
Sales and Revenues:		
Retail sales	\$509,145,026	\$490,978,128
Other sales and revenues	4,421,123	2,333,110
Total sales and revenues	<u>513,566,149</u>	<u>493,311,238</u>
Cost of Doing Business:		
Paid to or for the benefit of employees	75,872,153	70,976,335
Products, materials and services	398,966,552	386,163,650
Depreciation and amortization	5,880,954	5,548,510
Rents	5,623,229	4,871,729
Maintenance and repairs	2,377,446	2,254,766
Provision for doubtful accounts	1,205,789	782,148
Interest on indebtedness	730,913	699,069
Federal income taxes	10,516,505	9,998,845
State, local and all other federal taxes (exclusive of the collection and payment of sales taxes totaling \$15,149,541 in 1960 and \$13,855,633 in 1959)	2,699,731	2,635,349
Total cost of doing business	<u>503,873,272</u>	<u>483,930,401</u>
Net Earnings for the Year	9,692,877	9,380,837
Accumulated Earnings—Unappropriated		
Beginning of year—Jewel Tea Co., Inc.	35,339,415	31,265,323
—Osco Drug, Inc.	1,081,646	480,168
	<u>46,113,938</u>	<u>41,126,328</u>
Deduct:		
Cash dividends declared:		
Jewel preferred stock	267,917	161,994
Jewel common stock	5,458,933	2,786,462
Osco stock	238,618	214,877
Appropriations for stock dividends and splits:		
2-for-1 split of Jewel stock issued February 13, 1959	—	1,536,061
Stock dividends—Osco	1,069,200	—
Transactions in treasury stock—Osco	(9,840)	5,873
	<u>7,024,828</u>	<u>4,705,267</u>
Accumulated Earnings—Unappropriated End of Year	<u>\$ 39,089,110</u>	<u>\$ 36,421,061</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(Includes Osco Drug, Inc. at both dates)

ASSETS

	December 31, 1960	January 2, 1960
Current Assets:		
Cash	\$ 15,849,844	\$ 16,575,131
Marketable securities—lower of cost or market (the same as cost) . . .	17,293,730	7,210,772
Accounts receivable, less allowances	10,630,012	10,075,430
Inventories at lower of first-in first-out cost or market except green coffee cost (\$1,434,639 at December 31, 1960) determined under the last-in first-out method	38,564,111	36,389,009
Temporary investment in retail store properties	2,889,780	2,988,935
Prepaid expenses and supplies	1,667,246	1,606,059
Total current assets	86,894,723	74,845,336
Deferred Charge—		
Premiums advanced to customers	1,414,095	1,491,190
Other Investments	2,436,488	478,310
Property, Plant and Equipment (at cost):		
Buildings	16,125,987	14,187,764
Equipment and leasehold improvements	57,195,852	52,183,528
	73,321,839	66,371,292
Less allowance for depreciation and amortization	31,394,400	27,097,347
	41,927,439	39,273,945
Land	2,411,324	1,754,536
Total property, plant and equipment	44,338,763	41,028,481
Goodwill	1	1
	<u>\$135,084,070</u>	<u>\$117,843,318</u>

JEWEL TEA CO., INC.

LIABILITIES

	December 31, 1960	January 2, 1960
Current Liabilities:		
Accounts payable and accrued expenses	\$ 22,563,992	\$ 16,168,728
Dividends payable	1,202,036	54,027
Accrued federal, state and local taxes	10,656,165	9,490,863
Accrued payrolls and profit sharing	6,393,553	6,288,448
Long term indebtedness due within one year	1,357,059	172,732
Total current liabilities	42,172,805	32,174,798
Long Term Indebtedness, less due within one year	19,804,038	18,214,098
Deferred Federal Income Taxes	2,314,539	1,777,171
Stockholders' Investment:		
Preferred stock—3¾% cumulative \$100 par value— authorized and issued 58,500 shares at December 31, 1960	5,850,000	5,850,000
Common stock—\$1 par value—authorized 7,500,000 shares; outstanding 3,129,520 shares at December 31, 1960 and 3,389,522 shares after giving effect to a pooling of interests with Osco Drug, Inc. on February 16, 1961	24,735,389	22,241,827
Accumulated earnings—reserved for self-insured losses and general contingencies	1,250,000	1,250,000
Accumulated earnings—unappropriated	39,089,110	36,421,061
Preferred stock in treasury, at cost	(131,811)	(85,637)
Total stockholders' investment	70,792,688	65,677,251
	<u>\$135,084,070</u>	<u>\$117,843,318</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED SOURCE AND USE OF FUNDS*(Includes Osco Drug, Inc.)*

		52 WEEKS ENDED DEC. 31, 1960
Source of Funds:		
Net earnings for the year		\$ 9,692,877
Provision for depreciation and amortization		5,880,954
Sales of common stock		1,442,202
Increase in current and tax liabilities		9,351,048
Increase in long term indebtedness	\$5,000,000	
Less payments	<u>2,225,733</u>	<u>2,774,267</u>
		<u>\$29,141,348</u>
Use of Funds:		
New property, plant and equipment (net)		\$ 9,191,236
Increase in inventories		2,175,102
Dividends to owners of the business		5,965,468
Increase in other investments		1,958,178
Increase in cash and marketable securities		9,357,671
Acquisitions of preferred stock		54,174
Net increase in all other assets		439,519
		<u>\$29,141,348</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**EXCHANGE OF STOCK—OSCO DRUG, INC.**

On February 16, 1961, all the outstanding capital stock of Osco Drug, Inc. was acquired in exchange for 260,002 shares of previously unissued common stock. The exchange has been handled as a pooling of interests for accounting purposes and the accompanying financial statements of the companies have been combined for both years.

OTHER INVESTMENTS

Investments in affiliated real estate corporations are carried at cost of \$574,750, which is approximately the same as the Company's equity in net

assets of the affiliates.

The Company's subscription of 36% of the capital shares of Supermarches G. B., a Belgian corporation organized in 1960 to operate supermarkets in the Kingdom of Belgium, is carried at cost of \$1,856,678, of which \$742,670 had been paid at December 31, 1960. The remaining \$1,114,008 is to be paid by December 31, 1961 and is included in Accounts Payable and Accrued Expenses. The Company's equity in net assets of this foreign affiliate is approximately the same as cost.

Eisner Realty Corporation, a wholly-owned subsidiary, has been consolidated in the accompanying

financial statements. Formerly, this subsidiary was carried in the financial statements under Other Investments at an amount equal to its net worth.

LONG TERM INDEBTEDNESS

On October 31, 1960, the Company exercised its option to convert a \$10,000,000 loan available under a 1958 bank loan agreement, into a 6-year term loan (\$5,000,000 had previously been borrowed on renewable 90-day notes). Interest rates may vary from 3¼% to 4¾% per annum and the loan matures serially from 1961 through 1966.

Long term indebtedness at December 31, 1960 includes the following:

	Rate	Total Outstanding	Due in 1961	Final Maturity
Banks.....	3¼-4¾%	\$10,000,000	\$1,000,000	1966
Insurance companies	2.85	5,000,000	—	1971
Insurance companies	3.75	4,130,400	217,400	1978
Insurance company	4½	593,500	57,000	1971
Mortgage notes	4%	1,208,123	32,718	1982

PREFERRED STOCK IN TREASURY

Under the sinking fund provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares. At December 31, 1960, the Company had acquired and retired its sinking fund commitments through June 30, 1960 and there were 1,591 shares of preferred stock in the treasury carried at cost (\$131,811) which are available for future sinking fund requirements.

COMMON STOCK AND RESTRICTED STOCK OPTION PLAN

During 1960, the Common Stock Account was increased by 12,000 shares and \$505,920 through issues to profit-sharing trusts, by 5,814 shares and \$237,775 through issues to employees under a stock purchase plan, and by 27,000 shares and \$679,567 through exercise of stock options. On February 16, 1961, 260,002 shares of common stock were issued in exchange for all outstanding stock of Osco Drug, Inc. at a value of \$4,429,492, equal to the net worth of Osco Drug, Inc. at December 31, 1960.

At December 31, 1960, there were 309,019 unissued shares of common stock reserved, of which 27,769 shares were for employee stock purchase plan purchases, 138,000 shares were for issuance to profit-sharing trusts and 143,250 shares were for stock options described more fully below:

	Number of Shares		
	Reserved	Granted	Available
Balance, January 2, 1960.....	170,250	117,000	53,250
Granted during year.....		10,000	
Exercised during year at aggregate price of \$679,567.....	(27,000)	(27,000)	
Balance, December 31, 1960.....	143,250	100,000	43,250
Options exercisable at December 31, 1960.		66,175	

Outstanding options at December 31, 1960, were granted at prices ranging from \$23.06 to \$44.18 per share, representing 95% of the high market price on the respective dates of grant. Options may be exercised to the extent of 25% one year after granted and an additional 25% becomes exercisable on each of the next three anniversaries of the date of grant. All must be exercised not later than 10 years after date of grant.

ACCUMULATED EARNINGS—UNAPPROPRIATED

Under the terms of note agreements with insurance companies and the preferred stock provisions of the Certificate of Incorporation (the terms of the note agreements governing) \$28,644,449 is not restricted for cash dividends on common stock at December 31, 1960.

LONG TERM LEASES

Nearly all retail stores and the office-warehouses for the home service routes are under lease. A majority of lease commitments are for ten years or less and the remainder, for the most part, cover periods up to 20 years. Annual minimum commitments for leases expiring beyond five years total approximately \$4,100,000, exclusive of real estate taxes, maintenance and insurance required by some leases. Rentals for leased properties in 1960 included \$1,055,631 paid to affiliated real estate corporations.

BOARD OF DIRECTORS

JAMES L. ALLEN

*Senior Partner,
Booz, Allen & Hamilton*

G. L. CLEMENTS

*President,
Jewel Tea Co., Inc.*

A. EISNER, JR.

*Administrative Adviser of Operations,
Eisner Food Stores Division*

J. W. EVERS

*Former President,
Commonwealth Edison Company*

J. M. FRIEDLANDER

*Chairman, Finance Committee,
Jewel Tea Co., Inc.*

W. A. GERBOSI

Independent Business Consultant

E. E. HARGRAVE

*Vice President,
Jewel Tea Co., Inc.*

A. V. JANNOTTA

Independent Business Consultant

F. J. LUNDING

*Chairman, Board of Directors
and Chief Executive Officer,
Jewel Tea Co., Inc.*

E. H. McDERMOTT

*Senior Partner,
McDermott, Will & Emery*

H. S. BOWERS

Director Emeritus

S. R. MILLER

*Partner,
Goldman, Sachs & Co.*

H. R. RASMUSSEN

*Vice President,
Jewel Tea Co., Inc.*

F. L. SPREYER

*Vice President,
Jewel Tea Co., Inc.*

PAUL STRATTON

*President,
Osco Drug, Inc.*

H. J. SZOLD

*Partner,
Lehman Brothers*

OFFICERS

F. J. LUNDING

*Chairman, Board of Directors and
Chief Executive Officer*

J. M. FRIEDLANDER

Chairman, Finance Committee

J. A. BREWER

*Vice President,
Store Meat Operations*

E. E. HARGRAVE

Vice Pres., Administration

D. S. PERKINS

*Vice Pres., Growth Planning &
Development*

H. R. RASMUSSEN

Vice President, Retail Food Stores

G. L. CLEMENTS

President

L. D. SMITH

*Vice Pres., Stores Mfg.,
Warehousing & Transportation*

F. L. SPREYER

*Vice Pres., General Manager,
Routes*

R. D. STURTEVANT

*Vice Pres., Real Estate and
Construction*

F. A. WOERTHWEIN

Vice Pres., Store Grocery Operations

H. G. HOMUTH

Treasurer

W. W. TONGUE

Economist

H. O. WAGNER

Controller

R. W. WILLIAMSON

*Secretary and
General Counsel*

E. T. VORBECK

*Assistant Secretary and
General Attorney*

JEWEL TEA CO., INC.

PRINCIPAL LOCATIONS

CHAIRMAN, BOARD OF DIRECTORS

AND CHAIRMAN, FINANCE COMMITTEE 135 South La Salle Street, Chicago 3, Illinois

PRESIDENT AND EXECUTIVE 1955 West North Avenue, Melrose Park, Illinois

JEWEL FOOD STORES:

GROCERY WAREHOUSE AND BAKERY 1955 West North Avenue, Melrose Park, Illinois

PERISHABLES WAREHOUSE AND OFFICE 3617 So. Ashland Avenue, Chicago 9, Illinois

EISNER FOOD STORES

OFFICE AND WAREHOUSE 301 East Wilbur Heights Road, Champaign, Illinois

OSCO DRUG, INC.

HEADQUARTERS OFFICE 914 Merchandise Mart Plaza, Chicago 54, Illinois

HOME SERVICE ROUTES:

HEADQUARTERS OFFICE AND PLANT Jewel Park, Barrington, Illinois

DISTRIBUTION CENTERS

Anaheim, Calif.
Stockton, Calif.
Cincinnati, Ohio

Barrington, Ill.
Baltimore, Md.
New Castle, Pa.

Dearborn, Mich.
Binghamton, N.Y.

OTHER BRANCH - OFFICE LOCATIONS

Denver, Colo.
Jacksonville, Fla.
Atlanta, Ga.
Mt. Vernon, Ill.
Wichita, Kan.

Escanaba, Mich.
Kansas City, Mo.
Omaha, Nebr.
Charlotte, N.C.
Tulsa, Okla.

Nashville, Tenn.
Knoxville, Tenn.
Houston, Texas
Salt Lake City, Utah
La Crosse, Wisc.

IMPORTING 99 Wall Street, New York 5, N.Y.

TRANSFER AGENT

Manufacturers Trust Company, 55 Broad Street, New York 15, N.Y.

REGISTRAR

Bankers Trust Company, 16 Wall Street, New York 15, N.Y.

STOCK LISTING

New York Stock Exchange

This report is submitted to the stockholders of the Corporation for their information and is not intended to be used in connection with the sale of or offer to sell any securities, nor is it intended to be information to be included in a prospectus within the meaning of the provisions of the Federal Securities Act of 1933, as amended.



1960 Annual Report, Jewel Tea Co., Inc., Melrose Park, Ill.

